

FORECASTS COMPARISON

Idaho has a dynamic economy whose growth is influenced by a myriad of local, national, and international factors. Therefore, changes to the projected values of such diverse variables as oil prices, interest rates, and national housing starts can have an effect at the state level. In order to account for the effects of such changes on the state's economy, each issue of the *Idaho Economic Forecast* uses Global Insight's most recent forecast of the U.S. economy. Additional data, such as company-specific expansions and/or contractions are also considered.

The following comparison table shows how the outlooks for several key Idaho and national economic series have changed from the April 2008 to the July 2008 *Idaho Economic Forecast*. The April 2008 *Idaho Economic Forecast* is based on Global Insight's April 2008 baseline forecast and the July 2008 *Idaho Economic Forecast* is driven by Global Insight's July 2008 baseline U.S. macroeconomic forecast. In addition, an interim forecast was prepared in February 2008 in response to fast-changing national economic conditions. The summary table for the interim economic forecast is available at Idaho Division of Financial Management's (DFM) website.

Several key variables show how the forecasts for the national and state economies have changed compared to the April 2008 *Idaho Economic Forecast*. The outlook for the national economy has taken an interesting turn, with a slightly stronger showing this year followed by a weaker showing in 2009. In April 2008 it was forecast the economy would slip into a mild, two-quarter recession beginning in the first quarter of 2008. However, it now appears the economy was stronger than had been previously believed. Real GDP grew by 0.9% in the first quarter instead of declining and advanced 1.9% in the second quarter. The stronger showing during this year's first half does not mean a recession has been avoided; instead, it has been postponed. The quarterly data shows real GDP is expected to shrink in the last quarter of this year and the first quarter of next year. As a result, real GDP is 0.4% higher than in the previous forecast in 2008, but 0.4% lower in 2009. After 2009, real output is slightly (0.2%) higher than in the April 2008 *Idaho Economic Forecast*. The weaker economy exacts a toll on both income and employment from which neither fully recover over the forecast period. In 2009, real personal income is \$216 billion down from the previous forecast. Despite the slightly faster real GDP growth, it fails to totally make up this deficit, and by 2011 it is still \$82 billion below the previous forecast. Part of this difference reflects the projected higher inflation in the July 2008 forecast. The national employment recovery also fails to achieve parity with its predecessor. It goes from having 713,000 fewer jobs in 2009 to 286,000 fewer jobs in 2011.

Idaho's economic outlook is lower in the current forecast than in the April 2008 forecast. There are several reasons for this change. Nonfarm employment starts from a lower-than-expected level and grows slower than in the previous forecast. This combination makes the employment gap between the two forecasts grow wider with time. Specifically, Idaho nonfarm employment is 0.8% lower in the current forecast in 2008, 1.6% lower in 2009, 2.0% lower in 2010, and 2.5% lower in 2011. Looked at another way, in the terminal year of this forecast there are about 17,500 fewer jobs than in the April 2008 forecast. The gap between current and previous Idaho nominal personal income also widens over time, going from -0.1% in 2008 to -1.1% in 2011. As a result, Idaho nominal personal income is \$645 million lower in 2011 compared to the previous forecast.

**IDAHO ECONOMIC FORECAST
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DIFFERENCES BETWEEN
JULY 2008 AND APRIL 2008 FORECASTS**

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
U.S. GDP (BILLIONS)										
Current \$	0	0	0	0	0	0	77	-24	143	166
% Difference	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.5%	-0.2%	0.9%	1.0%
2000 Chain-Weighted	0	0	0	0	0	0	51	-43	25	38
% Difference	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.4%	-0.4%	0.2%	0.3%
PERSONAL INCOME - CURR \$										
Idaho (Millions)	0	0	0	0	0	181	-34	-305	-392	-645
% Difference	0.0%	0.0%	0.0%	0.0%	0.0%	0.4%	-0.1%	-0.6%	-0.7%	-1.1%
U.S. (Billions)	0	0	0	0	0	6	68	36	84	105
% Difference	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.6%	0.3%	0.6%	0.7%
PERSONAL INCOME - 2000 \$										
Idaho (Millions)	0	0	0	0	0	154	-475	-1,233	-1,078	-1,172
% Difference	0.0%	0.0%	0.0%	0.0%	0.0%	0.4%	-1.2%	-3.0%	-2.5%	-2.6%
U.S. (Billions)	0	0	0	0	0	5	-55	-216	-123	-82
% Difference	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	-0.6%	-2.1%	-1.2%	-0.8%
TOTAL NONFARM EMPLOYMENT										
Idaho	1	-1	0	4	9	-35	-5,467	-10,498	-13,847	-17,537
% Difference	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-0.8%	-1.6%	-2.0%	-2.5%
U.S. (Thousands)	0	0	0	0	0	0	-130	-713	-512	-286
% Difference	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-0.1%	-0.5%	-0.4%	-0.2%
GOODS PRODUCING SECTOR										
Idaho	0	0	-1	-1	1	-452	-3,040	-4,482	-4,916	-6,167
% Difference	0.0%	0.0%	0.0%	0.0%	0.0%	-0.4%	-2.6%	-3.9%	-4.3%	-5.2%
U.S. (Thousands)	0	0	0	0	0	0	62	-27	-227	-293
% Difference	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.3%	-0.1%	-1.1%	-1.4%
NONGOODS PRODUCING SECTOR										
Idaho	1	-1	1	4	7	417	-2,427	-6,016	-8,932	-11,370
% Difference	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	-0.4%	-1.1%	-1.6%	-1.9%
U.S. (Thousands)	0	0	0	0	0	0	-191	-687	-285	7
% Difference	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-0.2%	-0.6%	-0.2%	0.0%
SELECTED INTEREST RATES										
Federal Funds Rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.3%	0.3%	0.2%	0.0%
Bank Prime Rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.3%	0.3%	0.2%	0.0%
Existing Home Mortgage Rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.5%	0.2%	0.0%	0.0%
INFLATION										
GDP Price Deflator	0.000	0.000	0.000	0.000	0.000	0.000	0.141	0.246	0.903	0.917
Personal Cons Deflator	0.000	0.000	0.000	0.000	0.000	0.000	1.370	3.019	2.281	1.928
Consumer Price Index	0.000	0.000	0.000	0.000	0.000	0.000	0.038	0.077	0.053	0.046

Forecast Begins the SECOND Quarter of 2008